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2002 JAN 11 PM 2:30  
OFFICE OF THE  
EXECUTIVE SECRETARY

January 11, 2002

**VIA HAND DELIVERY**

Mr. K. David Waddell  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

***Re: Petition of United Telephone Company to Change and Increase Certain Intrastate Rates and Charges So As to Permit It To Earn a Fair and Adequate Rate of Return on Its Property Used and Useful in Furnishing Telephone Service to Its Customers in Tennessee and To Adopt New and Realistic Depreciation Rates for Central Office Equipment.  
Docket No. 01-00451***

Dear Mr. Waddell:

Enclosed please find the original and 13 copies of the Revised United Telephone Company's Exhibit 1, consisting of 6 pages and dated January 9, 2002, for filing in the above-referenced docket. Also enclosed is an additional copy of the Revised Exhibit, which I would appreciate your stamping "as filed," and returning to me by way of our courier.

This Exhibit will be introduced at the hearing of this matter on Tuesday, January 15, 2002, by United Telephone Company's witness, Joe M. Enoch, as a revision to a response to a data request heretofore filed in support of his Rebuttal Testimony, which has been revised and updated with the latest available information. United Telephone Company is willing and has stated to the other parties that it is willing to rely on the enclosed Exhibit as a basis for its increased revenue requirements in this case.

Mr. K. David Waddell  
January 11, 2002  
Page 2

A copy of this Revised Exhibit was furnished to Mr. Vance Broemel and Mr. Gary Hotvedt on January 10, 2002. This was a request made by them at a joint meeting, which was attended by the parties in this case.

Best regards.

Very truly yours,

A handwritten signature in black ink, appearing to read "R. Dale Grimes". The signature is fluid and cursive, with the first name "R." and last name "Grimes" clearly distinguishable.

R. Dale Grimes

RDG/gci  
Enclosures

cc: R. Terry Buckner, Esq. (w/o enclosures)  
Joe Shirley, Esq. (w/o enclosures)  
Mr. Herb Bivens (w/o enclosures)

JOE M. ENOCH & ASSOCIATES  
 ANALYSIS OF UNITED TELEPHONE LOCAL SERVICE REVENUE PER AVERAGE ACCESS LINE  
 1998-2002

<u>LOCAL SERVICE REVENUES</u>	<u>UNITED</u> A/	<u>CAPD</u> A/	<u>UNITED</u> <u>UPDATED</u> B/
1998	190.89	190.89	
% GROWTH			
1999	213.33	213.33	
% GROWTH	11.76%	11.76%	
2000	226.37	224.58	
% GROWTH	6.11%	5.27%	
CAPD FORECAST 2001	188.13	236.41	228.62 B/
% GROWTH	-16.89%	5.27%	1.80%
CAPD FORECAST 2002	195.90	248.87	232.74
% GROWTH	4.13%	5.27%	1.80%

SOURCE: REVISED UNITED EXHIBITS, TRA 3.01 REPORTS

A/ Information Taken from CAPD Exhibit 2, Page 5 of 62 as filed with the TRA.

B/ Actual 10/31/2001 Revenue Annualized divided by 14,493 access lines.

United Telephone Company  
 Excise and Income Taxes  
 For the Year Ending December 31, 2002

Line No.		Attrition Amount D/ A/	Amount D/ C/
1	Total Revenues	\$11,541,316 A/	\$11,056,072 C/
2	Plant specific	1,474,826 A/	1,474,826
3	Plant Non-Specific, Excluding Depreciation)	338,721 A/	338,721
4	Customer Operations	887,661 A/	887,661
5	Corporate Operations	982,804 A/	982,804
6	Depreciation and Amortization Expense	2,978,888 A/	2,978,888
7	Taxes Other Than Income	740,351 A/	740,351
14	NOI Before Excise and Income Taxes	\$4,138,065	\$3,652,821
15	AFUDC		
16	Interest Expense	2,036,688 B/	2,036,688
17	Pre-tax Book Income	\$2,101,377	\$1,616,133
18	Schedule M Adjustments		
19	Excise Taxable Income	\$2,101,377	\$1,616,133
20	Excise Tax Rate	6.00%	6.00%
21	Excise Tax	\$126,083	\$96,968
22	Pre-tax Book Income	\$2,101,377	\$1,616,133
23	Excise Tax	126,083	96,968
24	Schedule M Adjustments		
25	FIT Taxable Income	\$1,975,294	\$1,519,165
26	FIT rate	34.00%	34.00%
27	Federal Income Tax Expense	\$671,600	\$516,516
28	ITC Amortization		
29	Amortization of Excess Deferred FIT		
30	Federal Income Tax Deferred FAS 109		
31	Federal Income Tax Expense	\$671,600	\$516,516

A/ Schedule 3.

B/ Schedule 1, line 1 \*Weighted Cost of Debt per Schedule 8, lines 1-3.

C/ Revised CAPD Exhibit 1 Schedule 4, Line 12 by Enoch

D/ Information Taken from CAPD Exhibit 1, Schedule 6 as filed with the TRA.

United Telephone Company  
 Operating Revenues  
 For the Year Ending December 31, 2002

Line No.		CAPD		Company B/	Difference
1	Local Service Revenue	\$3,909,858	A/	\$2,926,755	\$983,103
2	Network Access Service	7,040,401	C/	6,589,406	\$450,995
3	Long Distance Network Service		D/	(112,110)	\$112,110
4	Miscellaneous Revenue	688,803	E/	720,237	(\$31,434)
5	Uncollectible Expense	(97,746)	F/	(141,022)	\$43,276
6	Total Operating Revenue	<u>\$11,541,316</u>		<u>\$9,983,266</u>	<u>\$1,558,050</u>
		Company Using CAPD Method			Difference
7	Local Service Revenue	3,516,016	G/		(\$393,842) J/
8	Network Access Service	7,040,401			\$0 K/ (393,842)
9	Long Distance Network Service		D/		\$0
10	Miscellaneous Revenue	597,401	I/		(\$91,402)
11	Uncollectible Expense	(97,746)	F/		
12	Total Operating Revenue	<u>\$11,056,072</u>			<u>-\$485,244</u>

Information Taken from CAPD Exhibit 1, Schedule 4 as filed with the TRA.

A/ WP RTB-100.

B/ Revised Enoch Exhibit 6.

C/ WPs RTB-111, RTB-109, RTB-114, RTB-117.

D/ Revised Enoch Exhibit 6.

E/ WP RTB-120.

F/ WP RTB-122.

G/ Enoch Annualization W/P Line 58

H/ Enoch Annualization W/P Line 19

I/ Per Joe Shirley Exhibit C-13 Line 4

J/ Line 7 less Line 1 (CAPD Column)

K/ Line 8 less Line 2 (CAPD Column)

United Telephone Company  
 Results of Operations and (Revenue Deficiency) Revenue Excess  
 For the Year Ending December 31, 2002

Line No.		CAPD		Company	E/	Difference
1	Base Rate	\$40,671,865	A/	\$41,064,144		(\$392,279)
2	Operating Income at Present Rates	3,338,365	B/	1,907,181		1,431,184
3	Earned Rate of Return	8.21%		4.644%		-364.84%
4	Fair Rate of Return	7.87%	C/	6.740%		1.13%
5	Required Operating Income	3,200,876		2,767,723		433,152
6	Operating Income (Deficiency) Excess	137,489		(860,542)		998,032
7	Gross Revenue Conversion Factor	0.604890	D/	0.613088		(0.008198)
8	Revenue (Deficiency) Excess	\$220,655		(\$1,388,130)		\$1,608,786
		Company Using CAPD Method				Difference G/
9	Base Rate	\$40,671,865	A/			\$0
10	Operating Income at Present Rates	2,871,320	F/			(467,045)
11	Earned Rate of Return	7.06%				-1.15%
12	Fair Rate of Return	7.87%	C/			0.00%
13	Required Operating Income	3,200,876				0
14	Operating Income (Deficiency) Excess	(329,556)				(467,045)
15	Gross Revenue Conversion Factor	0.604890	D/			0.00%
16	Revenue (Deficiency) Excess	(\$528,901)				(\$749,556)

A/ thru E/ Information Taken from CAPD Exhibit 1, Schedule 6 as filed with the TRA.

A/ Schedule 2, Line 11.

B/ Schedule 3, Line 19.

C/ Schedule 8, Line 5.

D/ Schedule 7, Line 9.



E/ Revised Enoch Exhibit 1.

F/ CAPD Exhibit Revised by Enoch UTC Exhibit 1 Page 4 of 6.

United Telephone Company  
 Comparative Income Statement  
 For the Year Ending December 31, 2002

Line No.	CAPD	Company	Difference	Company Using CAPD Method	Difference
1 Total Revenues	<u>\$11,541,316 A/</u>	<u>\$9,983,266 B/</u>	<u>\$1,558,050</u>	<u>\$11,056,072 R/</u>	<u>(\$485,244) T/</u>
2 Plant Specific	1,474,826 C/	1,609,718 D/	(134,892)	1,474,826 C/	\$0
3 Plant Non-Specific ( Excluding Depreciati	338,721 E/	391,629 F/	(52,908)	338,721 E/	\$0
4 Customer Operations	887,661 G/	1,131,974 H/	(244,313)	887,661 G/	\$0
5 Corporate Operations	982,804 I/	1,110,259 J/	(127,455)	982,804 I/	\$0
6 Add back operating expenses disallowed by staff re: UTCLD	-	-	-	-	-
7	-	-	-	166,000	-
8 Interest On Customer Deposits	2,017 K/		2,017	2,017 K/	\$0
9 Deprecitaion and Amortization Expense	2,978,888 L/	2,855,886 M/	123,002	2,978,888 L/	\$0
10 Taxes Other Than Income	740,351 N/	829,200 O/	(88,849)	740,351 N/	\$0
11 Operating Income Taxes	797,683 P/	147,420 Q/	650,263	613,484 S/	(\$184,199) T/
12	-	-	-	-	-
13	-	-	-	-	-
14	-	-	-	-	-
15 Total Operating Expenses	<u>\$8,202,951</u>	<u>\$8,076,086</u>	<u>126,865</u>	<u>\$8,184,752</u>	<u>(\$18,199)</u>
16 Net Operating Income	<u>\$3,338,365</u>	<u>\$1,907,180</u>	<u>\$1,431,185</u>	<u>\$2,871,320</u>	<u>(\$467,045)</u>
17 AFUDC	-	-	-	-	-
18 Net Operating Income for Return	<u>\$3,338,365</u>	<u>\$1,907,180</u>	<u>\$1,431,185</u>	<u>\$2,871,320</u>	<u>(\$467,045)</u>

A/ thru Q/ taken from CAPD Exhibit 1 Schedule 3 as filed with the TRA.

- |                                     |   |
|-------------------------------------|---|
| A/ Schedule 4.                      | K/ 6% Interest Rate*Cust. Deposits* .613088.                |
| B/ Revised Enoch Exhibit 5, Line 1. | L/ WP RTB-314A.   |
| C/ WP RTB-209                       | M/ Revised Enoch Exhibit 5, Line 6.                         |
| D/ Enoch Exhibit 5, Line 2.         | N/ Schedule 5, Line 8.                                      |
| E/ WP RTB-209                       | O/ Revised Enoch Exhibit 5, Line 7.                         |
| F/ Enoch Exhibit 5, Line 3.         | P/ Schedule 6, Sum of Lines 21 and 31.                      |
| G/ WP RTB-209                       | Q/ Revised Enoch Exhibit 5, Line 8.                         |
| H/ Enoch Exhibit 5 Line 4.          | R/ Revised CAPD by Enoch UTC Exhibit 1 Page 3 of 6.         |
| I/ WP RTB-209.                      | S/ Revised CAPD by Enoch UTC Exhibit 1 Page 2 of 6.         |
| J/ Revised Enoch Exhibit 5, Line 5. | T/ Line 1 Company using CAPD Method less Line 1 CAPD column |

GENERAL LEDGER BALANCES AS OF OCTOBER 31, 2001  
FOR PURPOSES OF DEVELOPING ANNUALIZED REVENUE  
UNITED TELEPHONE COMPANY, INC.

ACCOUNT NAME	A/C #	BALANCE 10/31/01	ANNUALIZATION FACTOR	ANNUALIZED REVENUE	COMPARATIVE REVENUE 10/31/00
1 Basic Area	50010000	2,126,574			
2 Local Access	50011000	(314,410)			
3 Optional Extended Area	50021000	778,869			
4 Optional Extended Voice M	50021100	170,155			
5			2,761,188 X 1.2	3,313,426	2,608,857
6 Network Access	50800000	562,307			
7 Access Revenue Payphone	50801000	1,181			
8 Switched Access Interstate	50821000	2,084,530			
9 Special Access - Interstate	50830000	109,006			
10 Switched Access - Intrastate	50840000	2,425,695			
11 Special Access - Intrastate	50841000	179,202			
12			5,361,921 X 1.2	6,434,305.20	5,002,206
<b># of Revenue Generating Access Lines</b>					
13	12/31/00	14156			
14		14190			
15		14276			
16		14348			
17		14474			
18		14479			
19		14500			
20		14572			
21		14608			
22		14611			
23		14678			
24 Average Revenue per Access Line 2001			228.62		
25 Average Additions/Month	52.20				
26 Est # @ 12/31/01	14782				
27 % Growth	4.40%				
28 Aver # 2001	14493				
29 Est # @ 12/31/02	15432				
30 Aver # 2002	15107				
31 Forecast of Local Service Revenue - 2001 (\$228.62 X 14493)				\$ 3,313,425.60	
32 Forecast of Local Service Revenue - 2002 (\$232.74 X 15107)				\$ 3,516,016.29	

Average # of Access Lines  
Ten Months Ending 10/31/01  
14445